Restructuring of State Finances

2449. SHRI C.P. THIRUNAVUKKARASU: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to restructure State finances;

(b) if so, the details thereof;

(c) whether Government also propose to change their policies in allowing States to incur indebtedness in giving the loans under plan and allowing them market borrowings;

(d) if so, the details thereof;

(e) if not the reasons therefor; and

(f) the steps proposed to be taken for proper management of State finances?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (f) Financial management of States is primarily the responsibility of the State Governments for which they are responsible to their respective legislature. The State Governments are expected to take adequate measures to improve their financial condition. However, pursuant to the recommendations of the Eleventh Finance Commission, a scheme for States Fiscal Reform Facility (2000-01 to 2004-05) has been created for incentivising the states to undertake Medium Term Fiscal Reforms Programme (MTFRP). The funds from the incentive fund are released to States based on a single monitorable fiscal indicator. To enable development, States are expected to borrow to finance their plans within prudential debt limits. Any additionality in open market borrowings are linked to fiscal reforms of the States concerned under MTFRP for such purposes as Voluntary Retirement Schemes of sick enterprises.